

Valley National Bank

Gerald H. Lipkin

Chairman of the Board, President & CEO

November 5, 2012

Honorable Colleen McMahon
United States District Court
Daniel Patrick Moynihan
United States Courthouse
500 Pearl St.
New York, NY 10007-1312

Dear Honorable McMahon:

As President, Chief Executive Officer and Chairman of Valley National Bank, I respectfully submit this Victim Impact Statement pursuant to the sentencing of former employees Alexander Meltsin and Vladimir Koslov.

At Valley National Bank, hereinafter "VNB", a continuous, bank-wide effort was initiated long ago to safeguard against insider fraud. The corporate culture of VNB includes in-person fraud and ethics training of our employees, on-line courses, daily security alerts, and periodic statements by me on the importance of knowing and obeying Valley's Code of Conduct and Ethics. Our strong and effective policies and procedures are enforced daily by management, Internal Audit, Corporate Security and the Anti-Money Laundering Compliance Department. The Information Security Department has also developed intensive monitoring of information technology to identify and contain any problematic disclosures of customer information. Each of these departments has required extensive staffing, electronic monitoring systems and personnel to interact with local and federal law enforcement in the prosecution of cases. The cost of these efforts has grown tremendously and has a real effect on the financial strength of the institution, fees for services paid by customers and the value provided to our shareholders.

Financial institutions are not alone in the burdens imposed by insider fraud. The Federal Bureau of investigation recently reported that financial institution fraud, in which insiders play a pivotal role, is "the most demanding, difficult and time consuming cases undertaken by law enforcement." In its Financial Crimes Report to the Public for fiscal years 2010-11, the FBI further reported a staggering sample of losses to banks caused by insiders:

- 726 corporate fraud cases were pursued, several of which involved losses to public investors that individually exceeded \$1 billion;
- In 2011, cases pursued by the FBI resulted in 242 indictments, 241 convictions and secured \$2.4 billion in restitution orders and \$16,000,000 in fines;

- Mortgage fraud, a crime in which reliance is often placed on an insider, resulted in the filing of 93,508 Suspicious Activity Reports in 2011, a dramatic increase since 2007 in which 46,717 SARs were filed.

Financial institutions are also not alone in the catastrophic costs of insider crimes. On October 26, 2012, for example, the American Bankers Association reported that an employee at the Washington D.C. Office of Tax and Revenue is facing charges for the filing of hundreds of false tax returns that netted \$14,000,000 in fraudulent tax returns. The damage caused by each insider cannot be quantified by mere dollars but must also be considered in terms of loss of the public's trust and shareholder value.

The community of employees, directors and shareholders of VNB respectfully requests that you impose upon these defendants the maximum sentence allowable by law. Their active participation in a complex ring of criminals caused losses in excess of \$1,000,000 in fraudulent loans, lost principal and interest, investigation resources, document production costs, etc. Although a prosecutor may charge only one count of an offense, victim banks must absorb a far greater cost, as was the case with these defendants. More importantly, the betrayal by these employees of the Valley community cannot be quantified.

Very truly yours,



Gerald H. Lipkin
Chairman of the Board,
President & CEO

cc: Ross Kapitansky
Senior Probation Officer